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# REPORT TO THE CONGRESS



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Audit Of Payments From  
Special Bank Account  
To Lockheed Aircraft Corporation  
For The C-5A Aircraft Program  
During The Quarter Ended  
December 31, 1972

B-162578

Department of Defense

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

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MARCH 9, 1973



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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To the President of the Senate and the  
Speaker of the House of Representatives

This is our seventh report on the audit of payments from the special bank account to the Lockheed Aircraft Corporation for the C-5A aircraft program. This report covers the quarter ended December 31, 1972.

This audit was made pursuant to section 504 of Public Laws 91-441 and 92-156, and section 603 of Public Law 92-436, the Armed Forces appropriation authorities for fiscal years 1971, 1972 and 1973, respectively. Public Law 91-441 authorized \$200 million interim funding for the C-5A aircraft program, Public Law 92-156 authorized \$325.1 million; and Public Law 92-436 authorized \$107.6 million for the program.

Public Laws 91-441 and 92-156 provide that (1) the payments be made through a special bank account, (2) the funds be expended only for the reasonable and allocable direct and indirect costs incurred by Lockheed on the C-5A aircraft program, and (3) the funds not be used to reimburse Lockheed for intercompany profits, bid and proposal (B&P) costs, independent research and development costs, similar unsponsored technical effort costs, and depreciation and amortization costs. Public Law 92-436 contains the same restrictions and controls except that up to \$4.4 million of the amount authorized under this act may be expended for reasonable and allocable depreciation and amortization costs. These laws require the General Accounting Office to audit payments from the special bank account and to submit a report to the Congress not more than 30 days after the close of each quarter.

Since June 16, 1971, the Department of the Air Force has paid Lockheed \$489,102,542 from the special bank account. (See appendix for the cumulative expenditures through December 31, 1972.) The amounts deposited in and withdrawn from the special bank account during the quarter ended December 31, 1972, were as follows:

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	Special bank account	Funds authorized by Public Laws		
		91-441	92-156	92-436
Beginning balance	\$ 712,044	\$239,479	\$84,139,727	\$107,600,000
Deposits	48,948,620			
Withdrawals		206,323	48,742,297	
Labor	\$12,147,364			
Overhead	15,758,190			
Material and other charges	20,419,470			
Intercompany transactions:				
Charges	\$776,539			
Credits	<u>7,771</u>	<u>768,768</u>	<u>49,093,792</u>	
Balance as of December 31, 1972	\$ <u>566,872</u>	\$ <u>33,156</u>	\$ <u>35,397,430</u>	\$ <u>107,600,000</u>

SCOPE OF AUDIT

D. 01060

Our audit was made at the Lockheed-Georgia Company, Marietta, Georgia. Our review of labor costs included tests to determine whether these costs appeared reasonable and allocable to the C-5A aircraft program. In our review of overhead costs, we examined into the reasonableness of provisional overhead rates and costs eliminated to comply with Public Laws 91-441, 92-156 and 92-436.

To determine the accuracy and propriety of material and other costs, we traced selected charges on the reimbursement vouchers to such documents as purchase orders, vendors' invoices, receiving reports, and work orders. We verified that no intercompany profit was paid from the special bank account.

We reviewed the Defense Contract Audit Agency audit of payments from the special bank account for labor, overhead, and material and other costs.

CONCLUSION

Our review revealed no payments from the special bank account to Lockheed-Georgia during the quarter ended December 31, 1972, that were contrary to Public Laws 91-441, 92-156 and 92-436.

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Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretary of the Air Force.

A handwritten signature in cursive script, reading "James B. Stacks".

Comptroller General  
of the United States

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APPENDIX -I

TOTAL AMOUNTS DEPOSITED IN AND WITHDRAWN FROM  
THE SPECIAL BANK ACCOUNT  
DURING THE PERIOD JUNE 16, 1971, TO DECEMBER 31, 1972

	<u>Special bank account</u>	<u>Funds authorized by Public Laws</u>		
		<u>91-441</u>	<u>92-156</u>	<u>92-436</u>
BEGINNING BALANCE		\$200,000,000	\$325,100,000 <sup>a</sup>	\$107,600,000
DEPOSITS	\$489,669,414			
WITHDRAWALS		199,966,844 <sup>b</sup>	289,702,570 <sup>c</sup>	
Labor	\$ 99,358,356			
Overhead	142,786,615			
Material and other charges	242,111,594			
Intercompany transactions:				
Charges	\$19,899,900			
Credits	<u>15,053,923</u>	<u>4,845,977</u>	<u>489,102,542</u>	
BALANCE AS OF DECEMBER 31, 1972	\$ <u>566,872</u>	\$ <u>33,156</u>	\$ <u>35,397,430</u>	<u>\$107,600,000</u>

<sup>a</sup>Public Law 92-204 appropriated \$321.5 million which is \$3.6 million less than authorized.

<sup>b</sup>Initial payment from this fund was on June 16, 1971.

<sup>c</sup>Initial payment from this fund was on December 1, 1971.